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FM AMEMBASSY HARARE
TO RUEHC/SECSTATE WASHDC IMMEDIATE 4083
INFO RUCNSAD/SOUTHERN AF DEVELOPMENT COMMUNITY COLLECTIVE
RUEHAR/AMEMBASSY ACCRA 2649
RUEHDS/AMEMBASSY ADDIS ABABA 2771
RUEHRL/AMEMBASSY BERLIN 1245
RUEHBY/AMEMBASSY CANBERRA 2040
RUEHDK/AMEMBASSY DAKAR 2396
RUEHKM/AMEMBASSY KAMPALA 2820
RUEHNR/AMEMBASSY NAIROBI 5248
RUEAIIA/CIA WASHDC
RUZEJAA/JAC MOLESWORTH RAF MOLESWORTH UK
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RHEFDIA/DIA WASHDC
RUEHGV/USMISSION GENEVA 1941
RHEHAAA/NSC WASHDC

C O N F I D E N T I A L SECTION 01 OF 02 HARARE 000144

SIPDIS

AF/S FOR B.WALCH
DRL FOR N. WILETT
ADDIS ABABA FOR USAU
ADDIS ABABA FOR ACSS
STATE PASS TO USAID FOR E. LOKEN AND L. DOBBINS
NSC FOR SENIOR AFRICA DIRECTOR

E.O. 12958: DECL: 02/23/2019
TAGS: [PGOV](#) [PREL](#) [ASEC](#) [PHUM](#) [EAID](#) [ECON](#) [ZI](#)
SUBJECT: AMBASSADOR CALLS ON ZIM MINISTER OF FINANCE BITI

REF: HARARE 135

Classified By: Ambassador James D. McGee for reason 1.4 (b) and (d)

SUMMARY

¶1. (C) The Ambassador paid a courtesy call today on new Minister of Finance Tendai Biti. Biti outlined his plan for short-term economic recovery, but expressed concern about funding recurrent government expenditures over the next several months while the economy stabilizes. He acknowledged that political progress, particularly the release of detainees, would be necessary for donors to reengage. The Ambassador pledged to continue humanitarian assistance, but alerted Biti that the U.S. would consider a suspension of such assistance if USAID employee Frank Muchirahondo was not soon released. END SUMMARY.

We're Broke

¶2. (C) Biti began the discussion by stating that the GOZ was broke, but that there was light at the end of the tunnel. He sketched out his Short-Term Emergency Plan (STEP) that he presented in detail to donors last week (Ref). So far, the plan which will be presented to Cabinet tomorrow had not met with resistance from ZANU-PF. Elaborating on his discussion with the donors, Biti said he had determined that legally proceeds from mineral sales should not be handled by the Reserve Bank of Zimbabwe (RBZ) as had been the custom; henceforth proceeds would go directly to the Ministry of Finance.

¶3. (C) As he had with the donors (Ref) Biti discussed what he considered critical bridge funding for the next three to six months until the government is financially viable. Recurrent expenditures are about US\$ 100 million; revenues are about US\$ 11 million. Expenditures are broken down as

follows in US\$:

--\$50 million: civil servant salaries
--\$10 million: dollarized pensions
--\$15 million: drugs and health services
--\$15 million: government supplies
--\$10 million: urban sanitation and water services
--\$10 million: short-term assistance to local authorities.

14. (C) Biti said the government had paid civil servants US\$100 for February. He had used cash on hand and borrowed from financial institutions. Looking ahead to March and beyond, and taking into account a bloated government with 61 ministers and deputy ministers and 10 governors, he commented that US\$100 million might not be enough, particularly if civil servants demanded more than US\$100 per month. Biti stated he had discussed assistance with South Africa and intended to talk to the governments of Botswana and Angola for short-term assistance.

U.S. Assistance

15. (C) The Ambassador responded by noting U.S. legal limitations on developmental and budgetary assistance. He stated that the U.S. wanted the government to succeed and that the USG would continue to provide humanitarian assistance. The Ambassador caveated, however, that he would raise the issue with Washington of a suspension of food. Qraise the issue with Washington of a suspension of food

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assistance while USAID employee Frank Muchirahondo remained in custody. Biti replied he understood the implications of continued political detentions. Failure to resolve this issue was sending mixed signals to the EU, the U.S. and regional countries who saw a new government, but one with serious human rights issues unaddressed. He had talked to Prime Minister Tsvangirai about this earlier in the morning, and Tsvangirai was going to raise the issue of political detainees with President Mugabe at a meeting later in the day.

International Outreach

16. (C) Biti said he and his team would attend the "Changes" conference in Dar es Salaam on March 10-11 sponsored by the IMF and the Government of Tanzania. They also planned to attend the IMF-World Bank meetings in Washington, D.C. in April.

COMMENT

17. (C) After years of sclerotic government, the MDC is trying to move fast in MDC-controlled ministries such as Finance by enlisting the help of capable civil servants who have weathered the bad times, and by ignoring ZANU-PF. So far, ZANU-PF has offered little resistance, according to Biti. His major problem--and one on which he said he is spending considerable time--is to secure funding for recurrent expenditures until donor assistance begins and the economy begins to rebound. The task is complicated by the failure of ZANU-PF to cooperate in visible steps such as the release of detainees. END COMMENT.

MCGEE